

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Verizon Avenue Corp. (U 6584 C)
to Withdraw Its Provision of Resold Local
Exchange Service and Relinquish Its Certificate of
Public Convenience and Necessity.

Application 06-02-001
(Filed February 2, 2006)

**ADMINISTRATIVE LAW JUDGE'S RULING
ORDERING PARTIES TO MEET AND CONFER**

This ruling orders Verizon Avenue Corp. (Verizon Ave.) and Pacific Bell Telephone Company d/b/a AT&T California (AT&T) to meet and confer to discuss the transfer of Verizon Ave.'s remaining customers to AT&T and compensation for that transfer. Commission staff is available to assist Verizon Ave. and AT&T in reaching an agreement on this issue.

Background

Verizon Ave. filed this application to exit the local voice market. Verizon Ave. proposed to use the Draft Mass Migration Guidelines issued in R.03-06-020, and the assigned Commissioner authorized use of the guidelines in a February 22, 2006 ruling. AT&T, the underlying carrier for Verizon Ave.'s customers, filed a response to the application on March 8, 2006. Although AT&T did not oppose the application, AT&T opposed being designated a default carrier for Verizon Ave. customers who did not choose an alternate local exchange provider.

Volunteers were solicited to serve as a default carrier in the February 22, 2006 ruling. No carrier volunteered. Verizon Ave. has provided the required customer notice. The 30-day notice letter was sent on March 24, 2006.

In that letter, customers were notified that the Commission might appoint a default carrier to serve them should they fail to select an alternate provider. To date approximately 300 of the approximately 471 Verizon Ave. residential customers have not chosen an alternate provider.

Discussion

Verizon Ave. desires to exit the local market expeditiously. However, the majority of its customers have not obtained alternate service. Under the guidelines, one criterion for Commission approval of an application to exit the local market is the progress of customer migrations. Migration of Verizon Ave.'s customers has not advanced to the degree necessary to approve Verizon Ave.'s application.

Appointing AT&T as the default carrier for Verizon Ave.'s remaining customers appears necessary. AT&T has opposed such action, in part because the guidelines do not provide a precise mechanism for compensation. Two methods for compensation are discussed in the guidelines. The first mechanism, recovery as an exogenous factor under the annual price cap adjustment, is not the most efficient means of providing compensation, especially since AT&T's costs are not likely to be high. The second, use of the high cost fund, is not appropriate, since Verizon Ave.'s customers are not in high cost areas. Another option is for Verizon Ave. to pay AT&T's costs. AT&T's service establishment costs provide a framework for reimbursement.

To expedite resolution of this issue, Verizon Ave. and AT&T shall meet and confer to discuss compensation of AT&T for assuming Verizon Ave.'s remaining customers. To assist Verizon Ave. and AT&T in reaching an agreement, Richard Fish and Clyde Simms of the Commission's Telecommunications Division are available on Thursday and Friday,

April 27 and 28, 2006, to participate in those discussions. Verizon Ave. shall file a progress report on customer migrations on or before May 2, 2006.

IT IS SO RULED.

Dated April 21, 2006, at San Francisco, California.

/s/ JANICE GRAU
Janice Grau
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling Ordering Parties to Meet and Confer on all parties of record in this proceeding or their attorneys of record.

Dated April 21, 2006, at San Francisco, California.

/s/ ELIZABETH LEWIS

Elizabeth Lewis

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.